

AU GRES, SIMS, WHITNEY FIRE  
AND RESCUE AUTHORITY  
Arenac County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		<b>Local Government Name</b> Au Gres, Sims, Whitney Fire and Rescue Authority	<b>County</b> Arenac
<b>Audit Date</b> March 31, 2007	<b>Opinion Date</b> May 1, 2007	<b>Date Accountant Report Submitted to State:</b> June 4, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

May 1, 2007

To the Fire and Rescue Board  
Au Gres, Sims, Whitney Fire and Rescue Authority  
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Au Gres, Sims, Whitney Fire and Rescue Authority, Arenac County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Au Gres, Sims, Whitney Fire and Rescue Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Au Gres, Sims, Whitney Fire and Rescue Authority, Arenac County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Au Gres, Sims, Whitney Fire and Rescue Authority covers the Authority's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$671,510.53 for governmental activities. Total revenues were \$433,476.43. The net increase in net assets of \$308,161.46 included a \$89,338.24 depreciation deduction.

We incurred new debt in the amount of \$332,077.00 to fund the purchase of a new pumper.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

There are no fund financial statements as the Authority has only one fund.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

During the year, the authority purchased \$522,580.36 in vehicles and equipment.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

The Authority has only one fund. Please refer to the financial highlights section of this report for summary information or refer to the financial statement for more detailed information about the financial position and results of operations of our authority.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Authority invested \$522,580.36 in capital assets in the current fiscal year.

The Authority paid \$86,605.18 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Future funding of the Authority is dependent on the financial support from and the financial stability of Au Gres, Sims, and Whitney Townships and the City of Au Gres.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide our investors and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Authority.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>306 750 35</u>
Total Current Assets	<u>306 750 35</u>
NON-CURRENT ASSETS:	
Capital Assets	1 260 427 36
Less: Accumulated Depreciation	<u>(580 617 24)</u>
Net Capital Assets	679 810 12
Contract receivable	<u>29 401 16</u>
Total Non-current Assets	<u>709 211 28</u>
TOTAL ASSETS	<u>1 015 961 63</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>29 401 16</u>
Total Current Liabilities	<u>29 401 16</u>
NON-CURRENT LIABILITIES:	
Note payable	<u>315 049 94</u>
Total Non-current Liabilities	<u>315 049 94</u>
Total Liabilities	<u>344 451 10</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	364 760 18
Unrestricted	<u>306 750 35</u>
Total Net Assets	<u>671 510 53</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 015 961 63</u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

		Program Revenue		Governmental Activities
	Expenses	Charges for Services	Grants - Contributions	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Public safety	223 003 31	319 077 16	92 236 00	188 309 85
Interest on long-term debt	<u>19 311 66</u>	<u>-</u>	<u>-</u>	<u>(19 311 66)</u>
Total Governmental Activities	<u>242 314 97</u>	<u>319 077 16</u>	<u>92 236 00</u>	<u>168 998 19</u>
General Revenues:				
Interest				9 382 93
Miscellaneous				12 780 34
Transfers from other units				<u>117 000 00</u>
Total General Revenues				<u>139 163 27</u>
Change in net assets				308 161 46
Net assets, beginning of year				<u>363 349 07</u>
Net Assets, End of Year				<u>671 510 53</u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND  
March 31, 2007

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	306 750 35
Contract receivable	<u>29 401 16</u>
Total Assets	<u><u>336 151 51</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Deferred revenue	<u>29 401 16</u>
Total liabilities	<u>29 401 16</u>
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	<u>306 750 35</u>
Total fund equity	<u>306 750 35</u>
Total Liabilities and Fund Equity	<u><u>336 151 51</u></u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND  
TO THE STATEMENT OF NET ASSETS  
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	306 750 35
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 260 427 36
Accumulated depreciation	(580 617 24)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Note payable	<u>(315 049 94)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>671 510 53</u></u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
Year ended March 31, 2007

	<u>Total (General)</u>
Revenues:	
Township of Au Gres	37 976 75
Township of Sims	67 237 64
Township of Whitney	184 301 13
City of Au Gres	20 726 44
Federal grant	92 236 00
Charges for services	8 835 20
Interest	9 382 93
Miscellaneous	<u>12 780 34</u>
Total revenues	<u>433 476 43</u>
Expenditures:	
Public safety:	
Fire protection:	
Wages and payroll taxes	21 791 06
Supplies	56 957 70
Gas and oil	1 695 68
Telephone	960 06
Insurance	27 252 42
Utilities	6 974 52
Repairs and maintenance	6 662 05
Professional services	2 081 25
Miscellaneous	9 290 33
Capital outlay	522 580 36
Debt service	<u>105 916 84</u>
Total expenditures	<u>762 162 27</u>
Excess (deficiency) of revenues over expenditures	<u>(328 685 84)</u>
Other financing sources (uses):	
Loan proceeds	332 077 00
Transfers from other units	<u>117 000 00</u>
Total other financing sources (uses)	<u>449 077 00</u>
Excess of revenues and other sources over expenditures and other uses	120 391 16
Fund balance, April 1	<u>186 359 19</u>
Fund Balance, March 31	<u><u>306 750 35</u></u>

The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND	120 391 16
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(89 338 24)
Capital Outlay	522 580 36

Receipt of debt proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets.	(332 072 00)
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Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	86 605 18
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	308 161 46
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The accompanying notes are an integral part of these financial statements.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Au Gres, Sims, Whitney Fire and Rescue Authority, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Authority contain all the Authority funds that are controlled by or dependent on the Authority's executive or legislative branches.

The reporting entity is the Au Gres, Sims, Whitney Fire and Rescue Authority. The Authority is governed by an elected Fire and Rescue Board. As required by generally accepted accounting principles, these financial statements present the Authority as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Authority's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Authority reports only one fund as follows:

- The General Fund is used to record the operations of the Authority which pertain to maintaining and operating the Authority. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Authority. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

The Authority does not levy any property taxes.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Authority as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30 years
Vehicles and equipment	3-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Authority provides no post-employment benefits to past employees.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire and Rescue Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire and Rescue Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire and Rescue Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire and Rescue Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**Note 3 – Deposits and Investments (continued)**

The Fire and Rescue Board has designated two banks for the deposit of Authority funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Authority's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>306 750 35</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	145 579 08
Uninsured and Uncollateralized	<u>161 171 27</u>
Total Deposits	<u>306 750 35</u>

The Authority did not have any investments as of March 31, 2007.

**Note 4 – Capital Assets**

Capital asset activity of the Authority's Governmental activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Buildings and improvements	350 000 00	-	-	350 000 00
Vehicles and equipment	<u>387 847 00</u>	<u>522 580 36</u>	<u>-</u>	<u>910 427 36</u>
Total	737 847 00	522 580 36	-	1 260 427 36
Accumulated Depreciation	<u>(491 279 00)</u>	<u>(89 338 24)</u>	<u>-</u>	<u>(580 617 24)</u>
Net Capital Assets	<u>246 568 00</u>	<u>433 242 12</u>	<u>-</u>	<u>679 810 12</u>

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**Note 5 – Changes in Long-Term Debt**

The following is a summary of the changes in long-term debt.

	Balance 4/1/06	Additions	Deductions	Balance 3/31/07
Note Payable	69 578 12	-	15 665 97	53 912 15
Note Payable – Pumper	-	332 077 00	70 939 21	261 137 79
Total	<u>69 578 12</u>	<u>332 077 00</u>	<u>86 605 18</u>	<u>315 049 94</u>

**Note 6 – Note Payable**

During the fiscal year ended March 31, 2000, the Authority purchased a fire truck for \$205,174.00, which was delivered in the fiscal year ending March 31, 2001. The fire truck was financed in part by a seller financing loan through the Huron Community Bank in the amount of \$150,000.00. The loan is to be repaid in ten equal annual installments of \$19,520.14, including interest at 5.109%. As of March 31, 2007, the principal balance outstanding on the loan was \$53,912.15.

**Note 7 – Note Payable - Pumper**

During the fiscal year ended March 31, 2007, the Authority purchased a pumper for \$332,077.00. The fire truck was financed through Osh kosh Capital. The loan is to be repaid in annual installments of \$36,396.70. As of March 31, 2007, the principal balance outstanding on the loan was \$261,137.79.

**Note 8 – Deferred Compensation Plan**

The Authority does not have a deferred compensation plan.

**Note 9 – Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 10 – Pension Plan**

The Authority does not have a pension plan.

AU GRES, SIMS, WHITNEY FIRE AND RESCUE AUTHORITY  
Arenac County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Township of Au Gres	35 500 00	36 258 46	37 976 75	1 718 29
Township of Sims	62 000 00	65 232 30	67 237 64	2 005 34
Township of Whitney	60 000 00	60 000 00	184 301 13	124 301 13
City of Au Gres	20 500 00	20 649 64	20 726 44	76 80
Federal grant	-	100 000 00	92 236 00	(7 764 00)
Charges for services	3 900 00	3 900 00	8 835 20	4 935 20
Interest	900 00	900 00	9 382 93	8 482 93
Miscellaneous	-	-	12 780 34	12 780 34
Total revenues	<u>182 800 00</u>	<u>286 940 40</u>	<u>433 476 43</u>	<u>146 536 03</u>
Expenditures:				
Public safety:				
Fire protection	82 800 00	134 000 00	133 665 07	(334 93)
Capital outlay	42 985 20	543 940 40	522 580 36	(21 360 04)
Debt service	<u>57 014 80</u>	<u>106 000 00</u>	<u>105 916 84</u>	<u>(83 16)</u>
Total expenditures	<u>182 800 00</u>	<u>783 940 40</u>	<u>762 162 27</u>	<u>(21 778 13)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(497 000 00)</u>	<u>(328 685 84)</u>	<u>168 314 16</u>
Other financing sources (uses):				
Loan proceeds	-	335 000 00	332 077 00	(2 923 00)
Transfers from other units	-	117 000 00	117 000 00	-
Total other financing sources (uses)	<u>-</u>	<u>452 000 00</u>	<u>449 077 00</u>	<u>(2 923 00)</u>
Excess of revenues and other sources over expenditures and other uses	-	(45 000 00)	120 391 16	165 391 16
Fund balance, April 1	<u>-</u>	<u>45 000 00</u>	<u>186 359 19</u>	<u>141 359 19</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>306 750 35</u>	<u>306 750 35</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

May 1, 2007

To the Fire and Rescue Board  
Au Gres, Sims, Whitney Fire and Rescue Authority  
Arenac County, Michigan

We have audited the financial statements of the Au Gres, Sims, Whitney Fire and Rescue Authority for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Au Gres, Sims, Whitney Fire and Rescue Authority in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire and Rescue Board  
Au Gres, Sims, Whitney Fire and Rescue Authority  
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed no conditions that we would like to bring to your attention.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Authority's financial statements and this communication of these matters does not affect our report on the Authority's financial statements, dated March 31, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants